

G-010/GR-90-678 G-010/M-91-726 ORDER APPROVING COMPLIANCE FILING
AND NEW BASE GAS COST AND ESTABLISHING METHOD OF IMPLEMENTING NEW
RATES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Darrel L. Peterson
Cynthia A. Kitlinski
Dee Knaak
Norma McKanna
Patrice M. Vick

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Application
of Midwest Gas, a Division of
Iowa Public Service Company, for
Authority to Change its Schedule
of Gas Rates for Retail
Customers within the State of
Minnesota

ISSUE DATE: October 16, 1991

DOCKET NO. G-010/GR-90-678

DOCKET NO. G-010/M-91-726

In the Matter of a Petition by
Midwest Gas to Establish a
New Base Cost of Gas

ORDER APPROVING COMPLIANCE
FILING AND NEW BASE GAS COST AND
ESTABLISHING METHOD OF
IMPLEMENTING NEW RATES

PROCEDURAL HISTORY

On September 14, 1990, Midwest Gas (Midwest or the Company) filed a petition seeking a general rate increase of \$2,590,902, or 5.7%, effective November 13, 1990. Docket No. G-010/GR-90-678. On October 16, 1990, the Commission accepted the filing, suspended the proposed rates, and referred the matter to the Office of Administrative Hearings for contested case proceedings.

On November 9, 1990, the Commission set interim rates under Minn. Stat. § 216B.16, subd. 3 (1990). Interim rates were authorized as of November 13, 1990 and were set at a level allowing an additional \$1,210,773 in annual revenues.

On July 12, 1991, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER. In that Order the Commission found a test year revenue deficiency of \$1,551,076 and ordered the Company to file new rate schedules to reflect that and other findings.

On July 31 and August 2, 1991, the Residential Utilities Division of the Office of the Attorney General (RUD-OAG) and the Company, in turn, filed petitions for reconsideration. On August 20 the Commission granted both petitions for purposes of tolling the 20-day time period for acting on such petitions.

On August 27, 1991, Midwest Gas filed a Motion for Approval of Prospective Recovery of Revenue Difference Between Interim and Final Rates.

On September 13, 1991, the Commission met to consider the merits of the petitions for reconsideration filed by the Company and the RUD-OAG.

On September 30, 1991 the Commission issued its ORDER DENYING PETITIONS FOR RECONSIDERATION in Docket No. G-010/GR-90-678.

On October 1, 1991, Midwest Gas submitted revised schedules of rates and charges reflecting the revenue requirement and rate design decisions contained in the Commission's July 12, 1991 Order, as required by the Commission's September 30, 1991 Order.

Also on October 1, 1991, Midwest Gas filed a petition pursuant to Minn. Rules, 7825.2700, subp. 2 requesting that the Commission approve a new base cost of gas consistent with the implementation of the final rates approved by the Commission. Docket No. G-010/M-91-726.

On October 2, 1991, the Commission issued a Notice of Comment Period and Commission Meeting requiring that any comments regarding the Company's October 1, 1991 filing be filed no later than October 8, 1991.

On October 2, 1991, the Minnesota Department of Public Service (the Department) submitted comments on the Company's October 1, 1991 compliance filing in Docket No. G-010/GR-90-678.

On October 3, 1991, the Department submitted its Report of Investigation and Recommendation on the new base cost of gas filing in Docket No. G-010/M-91-726.

On October 9, 1991, the Company resubmitted two customer notice pages and one tariff page to correct mathematical errors and typographical errors.

On October 14, 1991, the Commission met to consider this matter.

FINDINGS AND CONCLUSIONS

October 1, 1991 Compliance Filing

No party has objected to the Company's compliance filing. The Department specifically recommended approval of the filing. The Company has corrected the few mathematical and typographical errors that appeared in earlier filed customer notices and tariff sheets. Based on the Department's and its own review, the Commission finds that the Company's revenue apportionment, tariff sheets, and customer notices as contained in the compliance filing accurately reflect the Commission's July 12, 1991 FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER and will approve it.

October 1, 1991 New Base Gas Cost Proposal

The base cost of gas is used as a reference point for calculating the monthly purchased gas adjustment (PGA). Minnesota Rules, part 7825.2700, subp. 2 requires Midwest to petition for a new base cost of gas which is consistent with the implementation of final rates determined in a general rate proceeding. The rule further requires Midwest to state separately the commodity base-cost and the demand base-cost components for each customer class.

Midwest proposed a base cost of gas for each class by dividing the estimated base-period cost of purchased gas for each class by the base period annual sales volume approved for each class by the Commission in its July 12, 1991 general rate case Order. The Company's proposal complies with the rule in all respects. Accordingly, the Commission will approve the new base gas cost proposed by the Company in its October 1, 1991 filing.

Effective Date of New Tariff / Implementation of New Rates

In a motion filed August 27, 1991, Midwest indicated that it felt entitled to recover the difference in revenues between interim and final rates back to July 12, 1991, the date of the Commission's FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER. In its motion, Midwest went on to state that it would forgo the revenue difference prior to October 1, 1991 and simply request recovery of any revenue difference after October 1, 1991. In its October 1, 1991 compliance filing, the Company replaced its August 27 motion with a request for authorization to apply the new rates to all consumption occurring on or after October 15, 1991.

Midwest divides its customers into several different billing groups. The billing period for each group is approximately 30 days. The bills are issued in groups. Each group of bills is issued on a different day of the month. The question presented in this case is how, given these various billing dates, the new rates approved for Midwest in the recent rate case will be implemented, consistent with the requirement that rates be fair and reasonable and non-discriminatory. Minn. Stat. § 216B.16, subd. 3 (1990).

Usually, new rates are implemented on a pro rata basis. The old rates are applied for the days in the billing period preceding the effective date of the new rates, and the new rates are applied for all days in the billing period starting with the effective date.

Instead of using this proration process, Midwest proposed to charge the new rates in all billings on or after October 15, 1991. Under this plan, customers whose billing period begins on October 15 or shortly thereafter would be charged the higher rate for gas a few days sooner than customers whose billing period ended shortly before October 15.

Midwest argued that its proposal was justified for several reasons. The Company noted that it was not pursuing its entitlement to the revenue difference for the period between July 12, 1991 and October 1, 1991.¹ The Company also alleged the administrative efficiency of not having to calculate charges based on two different rates within the same bill as would be required using the proration method. Midwest also predicted that the simplicity of its proposal would be less confusing to customers.

The final rates approved for Midwest were higher than its interim rates. In such circumstances, Minn. Stat. § 216B.16, subd. 3 (1990) requires that the Commission

...prescribe a method by which the utility will recover the difference in revenues from the date of the final determination to the date the new rate schedules are put into effect....

In this case, the Commission finds that the rate implementation method proposed by Midwest reasonably accommodates the Company's rights under Minn. Stat. § 216B.16, subd. 3 (1990) and executes the Commission's duty in this regard. The Company will collect a proper amount of revenues and customers as a group will pay a proper amount.

In addition, customers who pay the newer higher rate earlier than others are not unreasonably discriminated against in the context of this case. That context includes that fact that Midwest has waived a claim for recovery of the difference between interim and final rates from July 12, 1991 to October 1, 1991 and the difficulties of implementing a surcharge mechanism prospectively if proration were used in this case. It is important to note that customers who pay the newer higher rate earlier than others are simply paying a rate that the Commission has found to be just and reasonable while those who are not paying that rate until their next billing period are doing so during a very brief transition period.

In light of the make-whole provision of Minn. Stat. § 216B.16, subd. 3 (1990) and the particular facts of this case, the Commission finds that the rates as implemented under Midwest's proposal are just and reasonable and non-discriminatory, as required by Minn. Stat. § 216B.03 (1990). Accordingly, based on the unique facts of this case, the Commission will approve Midwest's proposal and authorize it to apply the new rates for all consumption in billings on or after the date of this Order.

¹ Due to the manner that this matter is resolved in this Order, the Commission need not determine and does not determine the validity of this claim.

ORDER

1. The compliance filing made by Midwest Gas (Midwest) on October 1, 1991 and amended October 9, 1991 is approved.
2. Midwest's new base gas cost proposal filed October 1, 1991 is approved.
3. Midwest is authorized to apply the new rates for all consumption in billings on or after the date of this Order.
4. Within 7 days of this Order, Midwest shall file with the Minnesota Department of Public Service (the Department) final rate tariff sheets consistent with this Order.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)